CLEVELAND PUBLIC LIBRARY
BUSINESS INFORMATION BUREAU
CORPORATION FILE

# UNITED DRUG, INC.

AND

SUBSIDIARY COMPANIES

# ANNUAL REPORT

DECEMBER 31, 1937

MRB
CORP. FILE

March 1, 1938

*To the Stockholders of United Drug, Inc.:*

The annual report of your Company herewith submitted presents a consolidated balance sheet, consolidated statement of profit and loss and earned surplus for the year ending December 31, 1937.

After providing for depreciation, federal income taxes, federal surtaxes on undistributed profits, bond interest and loss on guaranteed leases, earnings for 1937 amounted to $1,312,314.26, which is 94¢ per share on the capital stock of the Company.

Earned surplus as of December 31, 1937 amounted to $6,123,620.35, a net increase of $705,508.30, after a net credit of $71,335.54 for discount on purchase of our bonds, and payment of dividends of $678,141.50, representing 50¢ per share on the capital stock outstanding, after deducting shares held by subsidiary company.

Prior to reaching the above final figures, there was charged out of earnings 13¢ per share to value inventories to the lower of cost or market. This is a new experience for the Company, which developed in the last quarter of the year, due primarily to the shrinkage in our normal inventories of three raw materials — cotton, cocoa beans and rubber. We make reference to these items so that our stockholders may be advised that our Company does not enter into future commitments for purchases and sales of basic commodities to the extent that the amount of any commitments outstanding is or may at any time become a material factor in the corporation's position.

The profits of the Company were charged with taxes amounting to $1,798,880.00, or $1.28 per share. In addition, your Company paid various sales taxes amounting to over $800,000.00, a portion of which was recovered in selling prices.

Net sales for the year increased $4,893,276.54.

We purchased our bonds amounting to $968,500.00 face value. It is to be noted in the balance sheet that we have on hand in the treasury as of December 31,1937, $2,300,900.00 of bonds, or slightly in excess of three years sinking fund requirements.

As advised in our last annual statement, we reduced our goodwill account by $2,901,169.38, deducting this from capital surplus.

Under existing general business conditions, we are fortunate in having no heavy commitments for expansion ahead of us. We have very largely completed all work of rehabilitation of retail store fixtures and improvements, and the modernization of our factories; and with the opening next month of a newly built plant at Port Elizabeth, South Africa, we will have practically completed our program of expansion involving capital expenditures.

Respectfully submitted,

Louis K Liggett

*President.*

PRICE, WATERHOUSE & CO.

75 FEDERAL STREET
BOSTON

February 28, 1938.

To the Board of Directors
of United Drug, Inc.:

We have made an examination of the consolidated balance sheet of United Drug, Inc. and its subsidiary companies as at December 31, 1937 and of the related consolidated statement of profit and loss and earned surplus for the year ending on that date. In connection therewith we examined or tested accounting records of the companies and other supporting evidence and obtained information and explanations from officers and employees of the companies; we also made a general review of the accounting methods and of the operating and income accounts for the year, but we did not make a detailed audit of the transactions.

In our opinion, based upon such examination and review, the accompanying consolidated balance sheet and related consolidated statement of profit and loss and earned surplus fairly present, in accordance with accepted principles of accounting consistently maintained by the companies during the year under review, the position of United Drug, Inc. and its subsidiary companies at December 31, 1937, and the results of their operations for the year ending on that date.

PRICE, WATERHOUSE & CO.

# UNITED D
## AND SUBSIDIAR

## CONSOLIDATED BALANCE S

### ASSETS

| | | | |
|---|---|---|---|
| **CURRENT ASSETS:** | | | |
| Cash in banks and on hand | | $ 5,840,475.58 | |
| Miscellaneous marketable securities (*value based on December 31,1937 market quotations — approximately* $416,000) | | 354,712.83 | |
| Accounts and notes receivable: | | | |
| Customers' accounts and notes | $5,053,030.66 | | |
| Miscellaneous | 420,953.11 | | |
| | $5,473,983.77 | | |
| Less — Reserves for doubtful balances, discounts, etc. | 377,048.92 | 5,096,934.85 | |
| Inventories of merchandise, partly finished stocks, materials and supplies, certified as to quantities and condition by responsible officials (*at cost or market, whichever lower*) | | 19,721,977.11 | $31,014,100.37 |
| **INVESTMENTS AND ADVANCES, ETC.:** | | | |
| Customers' notes receivable and advances, less reserves | | $ 289,738.84 | |
| Miscellaneous advances, claims and deposits, less reserves (*including* $86,753.18 *due from employees*) | | 1,166,162.76 | |
| Miscellaneous investments, at or below cost, less reserves | | 526,561.70 | 1,982,463.30 |
| **PROPERTY ACCOUNTS** — at cost, written down amounts, or appraisal valuations (*including store fixtures and improvements of retail companies at appraisal valuations determined in 1933, as approved by the directors, plus subsequent additions at cost*): | | | |
| Land, buildings, and building fixtures | | $ 9,095,207.69 | |
| Machinery and equipment, etc. | | 8,482,088.81 | |
| Store fixtures and improvements | | 9,340,309.46 | |
| | | $26,917,605.96 | |
| Less — Reserves for depreciation | | 11,577,292.98 | 15,340,312.98 |
| **PREPAID INSURANCE, TAXES, RENT, ETC., AND ADVERTISING SUPPLIES** | | | 587,203.22 |
| **GOODWILL, TRADE-MARKS, ETC.** | | | 7,500,000.00 |
| | | | $56,424,079.87 |

# RUG, INC.
## RY COMPANIES
## HEET—DECEMBER 31, 1937

### LIABILITIES

| | | |
|---|---|---|
| **CURRENT LIABILITIES:** | | |
| Accounts payable, accrued expenses, etc. | $ 5,738,093.59 | |
| Accrued interest on funded debt | 506,028.53 | |
| Provision for federal and foreign taxes on 1937 and prior years' income | 625,399.37 | $ 6,869,521.49 |
| **FUNDED DEBT:** | | |
| Twenty-five year 5% debenture bonds of United Drug Company, due March 15, 1953: | | |
| Authorized and issued, $40,000,000, less $3,000,000 retired | $37,000,000.00 | |
| Less—In treasury, held for retirement (*including $750,000 principal amount available to meet the sinking fund payment due March 15, 1938*) | 2,300,900.00 | 34,699,100.00 |
| **RESERVES:** | | |
| Maintenance of store fixtures and improvements | $ 187,974.08 | |
| Contingencies (*after deducting charges thereto in 1937, amounting to $43,922.45, in respect of prior years' state taxes which resulted from the realization of assets of a retail company acquired in 1934*) | 1,054,833.56 | |
| Miscellaneous | 32,575.69 | 1,275,383.33 |
| **CAPITAL STOCK AND SURPLUS:** | | |
| Capital stock: | | |
| Authorized and issued, or to be issued — 1,400,560 shares, par value $5 each | $ 7,002,800.00 | |
| Capital surplus: | | |
| Balance, December 31, 1936 $3,881,384.59 | | |
| Less—Reduction of book value of good-will, trade-marks, etc., as approved by the directors 2,901,169.38 | 980,215.21 | |
| Earned surplus: | | |
| Representing principally net earnings of subsidiary companies since September 1, 1933 which have not been distributed to the parent company — per accompanying statement | 6,123,620.35 | |
| | $14,106,635.56 | |
| Less—Cost of 48,688 shares of capital stock of United Drug, Inc. acquired and held by subsidiary company for corporate purposes | 526,560.51 | 13,580,075.05 |
| **CONTINGENT LIABILITY:** | | |
| For portion of such liabilities as may result to Drug Incorporated | | |
| | | $56,424,079.87 |

# UNITED DRUG, INC.
## AND SUBSIDIARY COMPANIES

## CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND EARNED SURPLUS FOR THE YEAR ENDING DECEMBER 31, 1937

| | | | |
|---|---|---|---|
| Sales, less returns, allowances and discounts | | | $93,358,258.54 |
| Cost of sales, selling, general and administrative expenses (*including depreciation of* $1,077,587.27) | | | 89,497,962.49 |
| Profit from operations | | | $ 3,860,296.05 |
| Other income: | | | |
| Income from investments | | $ 30,523.14 | |
| Interest on notes receivable, etc. | | 50,205.43 | |
| Adjustment of prior years' provisions for federal income taxes | | 29,099.14 | |
| Miscellaneous | | 121,901.26 | 231,728.97 |
| | | | $ 4,092,025.02 |
| Other charges: | | | |
| Interest on funded debt | | $1,783,534.19 | |
| Loss from operation of guaranteed leases | | 391,333.94 | |
| Provision for miscellaneous investments, etc. | | 70,273.30 | |
| Federal and foreign income taxes | $428,061.74 | | |
| Federal surtax on undistributed profits | 128,505.72 | | |
| | $556,567.46 | | |
| Less — Portion applicable to discount on purchase of bonds of United Drug Company, charged to surplus | 28,000.00 | 528,567.46 | |
| Miscellaneous | | 6,001.87 | 2,779,710.76 |
| Net profit for the year | | | $ 1,312,314.26 |
| Consolidated earned surplus, balance December 31, 1936 | | | 5,418,112.05 |
| Discount on purchase during the year of bonds of United Drug Company (*less* $28,000 *of federal income taxes applicable thereto*) | | | 71,335.54 |
| | | | $ 6,801,761.85 |
| Cash dividends paid | | | 678,141.50 |
| Consolidated earned surplus, balance December 31, 1937 | | | $ 6,123,620.35 |

## OFFICERS

| | |
|---|---|
| Louis K. Liggett | *President* |
| George M. Gales | *Vice-President* |
| Joseph A. Galvin | *Secretary and Treasurer* |
| W. Newlin Mitchell | *Assistant Treasurer* |

## DIRECTORS

| | |
|---|---|
| Charles Francis Adams | *Chairman*, Board of Directors, State Street Trust Company, Boston |
| George M. Gales | *President*, Liggett Drug Company, Inc., New York |
| George C. Haigh | *Vice-President*, Bank of the Manhattan Company, New York |
| Louis K. Liggett | *President*, Boston |
| Warren Motley | Gaston, Snow, Hunt, Rice and Boyd, Boston |
| Charles S. Munson | *President*, U. S. Industrial Alcohol Company, New York<br>*President*, Air Reduction Co., Inc., New York |
| James L. Richards | *Chairman Board of Trustees*, Massachusetts Gas Companies, Boston |
| Fred S. Rogers | Rogers Drug Stores, Inc., Middletown, New York |
| Eugene W. Stetson | *Vice-President*, Guaranty Trust Company of New York, New York |

### *Transfer Agents*

Guaranty Trust Company of New York, New York
State Street Trust Company, Boston

### *Registrars*

The Chase National Bank of the City of New York, New York
The National Shawmut Bank of Boston, Boston

### *Counsel*

Gaston, Snow, Hunt, Rice and Boyd, Boston
Root, Clark, Buckner and Ballantine, New York